

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
Item 32 I. D. #6025
ENERGY DIVISION **RESOLUTION G-3392**
October 5, 2006

R E S O L U T I O N

Resolution G-3392. Pacific Gas and Electric Company (PG&E) requests expedited approval of its 10/20 Plus Winter Gas Savings Program (WGSP) for residential and commercial natural gas customers.

The 10/20 Plus WGSP is approved, as modified by an agreement with the Division of Ratepayer Advocates (DRA).

By Advice Letter (AL) 2753-G, filed on August 9, 2006.

SUMMARY

PG&E's proposal to offer its residential and commercial customers a gas bill rebate for reducing their natural gas usage during January and February 2007 is approved, as modified by an agreement with DRA. Major elements of this resolution are summarized below.

1. PG&E's 10/20 Plus WGSP provides residential and commercial gas customers with a gas bill rebate (up to a 20 percent maximum) if they reduce their natural gas consumption during January and February of 2007 as compared to a three year average computed over the same months. The rebate is applied to the aggregate of a qualifying customer's January and February 2007 gas bills.
2. The proposed program is similar to one adopted by the Commission for last winter. Differences include expanding eligibility to all commercial customers and adjustments to account for the effects of weather on natural gas consumption.
3. Anticipated rebates issued under the program are \$61 million and the utility requests authorization to spend \$5 million for marketing and implementation costs.

4. An agreement was reached between PG&E and DRA to recover program rebates and costs from residential customers from April through October 2007. TURN also concurred with the agreement. Cost recovery from commercial customers would be over a 12 month period beginning January 2007, as initially proposed by PG&E. The agreement is approved.
5. PG&E seeks expedited approval of its request so that it may begin marketing and implementing the program with sufficient lead time and prior to the winter.
6. The Western Manufactured Housing Community Association's (WMA) concerns in their protest of AL 2753-G have been satisfied by PG&E's reply. PG&E is ordered to inform its master-metered customers about how gas bill rebates are to be distributed to sub-metered tenants.
7. This resolution approves PG&E 10/20 Plus WGSP, as modified by the agreement with DRA, because it should promote increased natural gas conservation and provide qualifying residential and commercial customers with an opportunity to reduce their 2006-07 winter natural gas expenses.

BACKGROUND

Energy conservation is an important public policy priority of the Commission.

The 2003 Energy Action Plan (EAP) outlines steps that the Commission and other state energy agencies are to undertake to ensure that Californians will enjoy adequate, reliable and reasonably priced electric and natural gas supplies. A key strategy for achieving this goal is the optimization of energy conservation and efficiency. EAP II, adopted in 2005, reiterates the importance of using energy wisely. The Commission has aggressively worked to implement a variety of programs in support of these objectives including the adoption of PG&E's gas bill rebate program last winter.

The Commission approved PG&E's natural gas conservation and gas bill rebate plan last winter. That program is similar to the proposed 10/20 Plus WGSP.

In Resolution G-3384, the Commission approved PG&E's proposal to offer residential and small commercial customers a 20 percent rebate off their gas bills if they achieved a year-over-year 10 percent reduction in natural gas usage during January through March of 2006. The rebate applied to the cumulative

amount of a customer's January, February and March 2006 gas bills. The utility's request was prompted by a steep rise in natural gas prices following the aftermath of Hurricanes Katrina and Rita. The Commission adopted PG&E's WGSP (as last winter's program was referred to) proposal because it found that the program should encourage natural gas conservation and lead to lower consumer gas bills.

PG&E is seeking expedited approval of a gas bill rebate program to encourage the conservation of natural gas by its residential and commercial customers during January and February 2007.

In AL 2753-G, PG&E is requesting authorization of its 10/20 Plus WGSP. Under the proposal, residential and commercial customers would receive a gas bill rebate if they use cumulatively less natural gas during January and February 2007 in comparison to a three year average of past usage over the same two month period.

Customers achieving a 10 percent or more reduction in natural gas usage will receive the maximum gas bill rebate of 20 percent. Customers reducing their natural gas consumption below 10 percent will receive a rebate commensurate with their natural gas savings (e.g., a 9 percent rebate for a 9 percent reduction in natural gas usage).

The rebate amount each qualifying customer would receive is based on the combined total of their January and February 2007 gas bills and would be issued starting with the February 28, 2007 billing period. PG&E estimates that it will issue \$61 million in gas bill rebates.

PG&E is also requesting authority to recover \$5 million from its residential and commercial customers to market and implement the proposed 10/20 Plus WGSP. With the expected rebates of \$61 million, the \$66 million total cost of the program would be collected through core procurement (71 percent of the total) and core transportation (29 percent of the total) rates. Cost recovery from both residential and commercial customers would be for a 12 month period beginning January 2007.

The 10/20 Plus WGSP differs from last winter's program in these substantive ways:

1. Large and medium commercial customers are eligible to participate in the program rather than just small commercial customers.

2. Rebates will be issued to customers achieving less than a 10 percent reduction in natural gas usage. Under the prior program, a 10 percent or more reduction in consumption was necessary to earn a rebate.

3. The amount of natural gas conserved will be normalized to account for the effects of weather on usage (e.g., during a relatively warm winter, residential customers typically use less natural gas for heating purposes). For last winter, gas bill rebates were determined on a year-over-year comparison in natural gas usage without adjusting for weather influences.

4. The proposed program applies to natural gas usage during the months of January and February whereas last winter's program also included March. However, under the new program, customers will be informed by PG&E that they should begin to conserve in December and continue into March in order to maximize their opportunity for a gas bill rebate due to meter reading cycles.

PG&E requests expedited Commission approval of its proposal so that it can begin its marketing and implementation efforts with adequate lead time.

PG&E and DRA, with the concurrence of TURN, submitted an agreement regarding the recovery of program rebates and costs from residential customers.

On August 29, 2005, PG&E sent a letter to the Energy Division and the AL 2753-G service list describing an agreement it reached with DRA (and with TURN's concurrence) regarding the recovery period of 10/20 Plus WGSP rebates and costs from residential customers. The letter also addressed an ambiguity found by DRA in the AL.

In AL 2753-G, PG&E proposed to collect program rebates and costs from its residential and commercial customers over a 12-month period beginning in January 2007. DRA requested PG&E to recover these amounts from residential customers during the months of April through October 2007. This would benefit residential customers as their gas bills tend to be lower during that timeframe as compared to winter months and thus more manageable.

PG&E accepted DRA's proposal and, with the concurrence of TURN, requests that its 10/20 Plus WGSP be approved with the agreed to residential cost recovery modification.

DRA also requested PG&E to clarify a statement in AL 2753-G which could be interpreted to exclude customers who did not qualify for a rebate under last winter's program from participation in the 10/20 Plus WGSP. In the letter, the utility said it would file a substitute sheet with the ambiguity removed.¹

NOTICE

Notice of AL 2753-G was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

On August 30, 2006, WMA filed a late protest. WMA requests that PG&E provide guidance to mobilehome park owners concerning how 10/20 Plus WGSP rebates should be distributed to their tenants. WMA cites Commission Decision (D.) 04-11-033 requiring a utility issuing a refund to a mobilehome park owner to identify the refund amount on the bill and to explain how tenant refunds are to be calculated.² WMA claims that PG&E failed to observe this condition in its 10/20 Plus WGSP proposal. WMA also asks for clarification that natural gas usage measured by the master-meter will determine if a rebate has been achieved.

On September 6, 2006, PG&E filed a response to the WMA protest. The utility says that Special Condition 10 of its proposed tariff Schedule 10/20 adequately addresses WMA's concerns. The tariff provision specifies that rebates are to be distributed to the tenants of master-meter customers according to Public Utilities Code (P.U.) section 739.5(b) and that natural gas usage will be measured by the

¹ On August 29, 2006, PG&E filed a substitute sheet to AL 2753-G eliminating the ambiguity.

² D. 04-11-033, ordering paragraph 9.

master-meter under the program. In addition, PG&E states it intends to send a letter to all master-metered customers explaining the nature of the bill rebate and provide sample calculations illustrating how to determine the rebate amount each tenant should receive.

On September 12, 2006, WMA notified the Energy Division (ED) and PG&E that the utility's response to their protest satisfied their concerns.³

On August 30, 2006, DRA submitted a letter stating their support for AL 2753-G as their concerns were addressed by the cost recovery settlement reached with PG&E.

DISCUSSION

The Commission remains committed to the energy conservation objectives of the EAP and EAP II.

We are committed to the principles expressed in the EAP and EAP II and are determined to pursue effective ways for Californians to save energy. This determination guided our actions last year when we adopted PG&E's initial gas bill rebate program. At that time we were faced with the prospects of exceedingly high winter natural gas prices due to Hurricanes Katrina and Rita. Responding to this crisis, we authorized measures to intensify energy conservation efforts including last winter's PG&E gas bill rebate program. Fortunately, we are not presently confronted by such dire circumstances although the hurricane season has yet to pass. Nonetheless, our challenge to attain ever increasing levels of energy conservation remains.

PG&E customers achieved natural gas savings and earned gas bill rebates under last winter's program.

We approved PG&E's WGSP last year with the expectation that eligible customers would respond to the incentive of a gas bill rebate and significantly lower their natural gas usage. Our view was premised on the program's considerable customer benefits. First, they would get a 20 percent rebate on the

³ Notification was via an e-mail note.

cumulative amount of their January through March 2006 gas bills if they met the 10 percent conservation threshold. This would lower their expenses since recovery of the rebates was spread over all of PG&E's residential and small commercial customers (assuming not all eligible customers earned a rebate). Second, their gas bills would be less because the customer consumed less natural gas. An indirect benefit was the possibility that reduced natural gas usage resulting from the program coupled with other conservation measures would decrease overall demand leading to lower natural gas prices.

Consistent with our expectations, it is apparent from PG&E's assessment of last winter's WGSP that a considerable number of customers took advantage of the program. In AL 2753-G, PG&E reported the results of last winter. The utility said that, despite cold weather in February and March 2006, approximately one in five residential and small commercial customers earned a gas bill rebate and that natural gas consumed during the 3 month period from these customers was on average 28 percent lower than the same period last year.

We find that these results indicate wide customer acceptance of PG&E's WGSP and that residential and small commercial customers are receptive to the opportunity to earn a gas bill rebate for reduced natural gas usage. It is reasonable to assume that these customers would again seek to enjoy the benefits of such a program in the future.

The changes to PG&E's 10/20 Plus WGSP from last winter's program are positive.

The basic concept of the proposed 10/20 Plus WGSP is the same as last winter's program – to offer eligible customers a gas bill rebate for a reduction in natural gas usage. However, there are several notable changes to the proposed program. First, eligibility has been expanded to include all commercial customers. Second, customers reducing their consumption of natural gas below 10 percent will earn a gas bill rebate. Third, weather effects on natural gas consumption will be considered in an attempt to reward earnest efforts to save natural gas. Finally, a three year average of past natural gas usage will be used to determine natural gas savings.

We find that these modifications represent an improvement over last winter's program. Potentially more natural gas will be conserved since large and medium commercial customers are eligible to qualify for a gas bill rebate. Additional natural gas savings may be generated through the lowered

conservation threshold needed to earn a gas bill rebate. As such, customers already minimizing their natural gas usage will have an incentive to seek further incremental reductions. Weather normalization serves to ensure that only true conservation efforts will be rewarded. Using a three year average of prior natural gas usage will provide customers who rigorously conserved natural gas in response to last winter's program with a better opportunity and the impetus to earn a gas bill rebate next winter as well.

In addition to these enhancements, the aforementioned customer benefits of last winter's program - saving natural gas and an opportunity to reduce household utility expenses - are also an attribute of the proposed 10/20 Plus WGSP.

The agreement between PG&E and DRA, with TURN's concurrence, is reasonable and is adopted.

PG&E and DRA have agreed to revise PG&E's original proposal regarding the recovery of 10/20 Plus WGSP rebates and costs from residential customers. Rather than collecting this money over a 12 month period beginning January 2007, it was agreed to change the collection period to April through October 2007. TURN also concurred with this revision. The change was made because the agreed to period is a timeframe when residential gas bills tend to be lower as compared to the winter.

We find the agreement reasonable and adopt it. PG&E will be ordered to file a supplemental advice letter to include this modification to its proposed 10/20 Plus WGSP.

PG&E has adequately addressed WMA's protest, but the utility should follow through on its intention to notify its master-metered customers concerning the distribution of gas bill rebates to sub-metered tenants.

WMA claimed that PG&E's proposal violated D. 04-11-033 regarding the procedures for the distribution of refunds to the sub-metered tenants of mobilehome park owners. The protestant also seeks clarification that natural gas usage under the plan will be measured through the master-meter.

PG&E responded saying that Special Condition 10 of tariff Schedule 10/20 filed with AL 2753-G adequately addresses these concerns. The utility also said it intends to send a letter to all master-metered customers with sub-metered

tenants explaining the nature of the gas bill rebate and provide examples of how the rebate should be passed through.

In consideration of PG&E's reply, WMA notified ED and PG&E that its concerns have been satisfied.

We have reviewed this matter and conclude that PG&E's response is consistent with D.04-11-033 provided the utility acts on its intention to issue the notification it describes to mobilehome park owners (the utility said it would issue the notification to all of its master-metered customers).⁴ Therefore, we order PG&E to follow through on its intention and to issue a notification to all of its master-metered customers with sub-metered tenants explaining the nature of the gas bill rebate and illustrating how the rebate should be passed through to their sub-metered tenants.

Further, it is important for sub-metered tenants to understand that PG&E will issue gas bill rebates according to the aggregate quantity of natural gas a facility's tenants used as measured by the master-meter. As a consequence, an individual sub-metered tenant might not get a gas bill rebate although they conserved natural gas. To heighten sub-meter tenant awareness of this possibility and the benefits of acting collectively, PG&E should prepare a notice clearly explaining the conditions by which sub-metered tenants would earn a gas bill rebate.⁵ This notice should be provided to the utility's master-metered customers with the suggestion that copies of it should be furnished to their sub-metered tenants or that it is prominently posted in a common area of the master-metered facility. PG&E shall confer with our Public Advisor's Office to draft appropriate language.

Moreover, our examination of this issue suggests the need for a better method for distributing gas bill rebates to sub-metered tenants. Under the current methodology that is consistent with P.U. Code section 739.5(b), sub-metered tenants with the highest level of natural gas usage will receive the greatest

⁴ We note that the requirement of D.04-11-033 Ordering Paragraph 9 applies only to mobilehome park owners.

⁵ Such a notice could be in the form of a brochure or other suitable type of printed media. PG&E may also include in the notice a reminder to their master-metered customers of their obligation under P.U. Code section 739.5(e) to post the utility's applicable prevailing residential gas and electric rate schedules in a conspicuous location – this includes Schedule G- 10/20 Plus – Winter Gas Savings Program.

proportion of any gas bill rebate. This outcome seems counter to the program's objective of rewarding customers who minimize their natural gas usage.

We note that D. 04-11-033 contemplated that refunds to sub-metered tenants related to "special programs" might require different, more tailored allocation methods.⁶ The nature of the 10/20 Plus WGSP is suggestive of a "special program" and the issue discussed above indicates that alternative gas bill rebate distribution methods should be considered. However, we will not delay our approval of PG&E's proposal on this point, but will request that if PG&E submits a similar proposal in the future that the utility provide us with alternative ways gas bill rebates can be allocated to sub-metered tenants. These alternatives should be designed to meet the objective of equitably rewarding those sub-metered tenants that conserve natural gas and be consistent with P.U. Code section 739.5(b). PG&E may consult with WMA and others in this effort.

PG&E's 10/20 Plus WGSP as modified by its agreement with DRA is adopted.

Because the 10/20 Plus WGSP should benefit PG&E's residential and commercial customers and will promote the conservation of natural gas, we approve the program as modified by its agreement with DRA. Amounts collected and unspent by PG&E for marketing and implementing the program shall be returned to the utility's residential and commercial customers.⁷

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

⁶ D. 04-11-033, Ordering Paragraph 10.

⁷ In AL2753-G, PG&E is requesting \$5 million for these activities.

FINDINGS

1. PG&E filed AL 2753-G requesting expedited approval of its 10/20 Plus WGSP to offer its residential and commercial customers a gas bill rebate for reduced natural gas usage.
2. PG&E's residential and small commercial customers reduced their natural gas consumption and earned gas bill rebates under last winter's gas bill rebate program.
3. PG&E's 10/20 Plus WGSP should prompt customers to conserve natural gas.
4. Modifications to the 10/20 Plus WGSP are beneficial to PG&E's residential and commercial customers.
5. PG&E and DRA, with TURN's concurrence, agreed that the recovery of 10/20 Plus WGSP rebates and costs from residential customers should occur over the months of April through October 2007 when gas bills tend to be lower than the winter.
6. The agreement between PG&E and DRA, with TURN's concurrence, is reasonable.
7. WMA filed a late protest to PG&E AL 2753-G.
8. PG&E's response to WMA's protest addressed WMA's concerns.

THEREFORE IT IS ORDERED THAT:

1. PG&E's 10/20 Plus WGSP filed in AL 2753-G is approved subject to the modification in Ordering Paragraph 2.
2. PG&E shall file a supplemental advice letter to AL 2753-G incorporating the elements of its agreement with DRA concerning the recovery of 10/20 Plus WGSP rebates and costs from the utility's residential customers. The supplemental advice letter shall be filed within 10 days of the effective date of this Resolution. The supplemental advice letter shall have a requested effective date of October 5, 2006 and is subject to Energy Division approval.
3. PG&E shall notify its master-metered customers with sub-metered tenants of the nature of the 10/20 Plus WGSP gas bill rebates and provide examples of

how the gas bill rebates are to be distributed to their sub-metered tenants, as described in its reply to the protest of WMA.

4. PG&E should provide their master-metered customers with information explaining how sub-metered tenants may earn a 10/20 Plus WGSP gas bill rebate, as discussed in this Resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 5, 2006, the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director